

Message Text

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PAGE 01 SANTIA 01594 122224 Z

62

ACTION ARA-17

INFO OCT-01 ADP-00 CIAE-00 COME-00 EB-11 INR-10 LAB-06

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R 122020 Z APR 73

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 4016

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E. O. 11652: N/ A

TAGS: ECON, ELAB, CI

SUBJECT: WAGE READJUSTMENT ENTERS CRITICAL STAGE

REF: SANTIAGO 0748

1. BEGIN UNCLASSIFIED. CONSTITUTIONAL TRIBUNAL RULED APRIL 10 THAT CONGRESS DOES NOT HAVE AUTHORITY TO EXPAND BENEFITS OF COST OF LIVING WAGE ADJUSTMENTS BEYOND THOSE PROPOSED IN EXECUTIVE BILL. TRIBUNAL STATED, HOWEVER, THAT CONGRESS DOES HAVE AUTHORITY TO CHANGE FINANCING OF READJUSTMENT, AND OPPOSITION LEGISLATORS ARE CLAIMING THAT THIS DECISION LEAVES ROOM FOR EXPANDED PAYMENT TO WORKERS IF CONGRESS PROVIDES ADEQUATE FINANCING.

2. GOC BILL CURRENTLY BEFORE CONGRESS WOULD PROVIDE FOR ALL PUBLIC AND PRIVATE SECTOR WORKERS EARNING UP TO 3 SUELDO VITALES (SUELDO VITAL IN SANTIAGO IS APPROXIMATELY E 2000 MONTHLY) SALARY INCREASE EQUAL TO RISE IN CONSUMER PRICE INDEX (CPI) BETWEEN OCTOBER 1, 1972 AND JANUARY 31, 1973 (45.4 PERCENT). WORKERS EARNING BETWEEN 3 AND 20 SUELDO VITALES WOULD RECEIVE SAME ADDITIONAL ESCUDO PAYMENT (ABOUT E2700 PER MONTH) AS THOSE EARNING 3 SUELDO VITALES. THOSE EARNING OVER 20 SUELDO VITALES WOULD RECEIVE NO COST OF LIVING ADJUSTMENT (REFTEL).

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PAGE 02 SANTIA 01594 122224 Z

END UNCLASSIFIED.

3. BEGIN LOU. GOVERNMENT SEEMS TO HAVE TWO OBJECTIVES IN INSISTING THAT WAGE READJUSTMENT SHOULD BE ONLY PARTIAL AND AVOID LOWEST INCOME GROUP: (A) RESULT WOULD THEREBY BE ANTI-INFLATIONARY; (B) GOC INCOME REDISTRIBUTION GOALS WOULD BE FURTHERED. NO GOOD DATA ARE AVAILABLE ON NUMBER OF CHILEANS EARNING 3 SUELDOS VITALES OR LESS, BUT GOVERNMENT AND OPPOSITION HAVE USED FIGURES RANGING FROM 20 TO 40 PERCENT OF WORKERS. IF HIGHER FIGURE IS ABOUT CORRECT, MOST OF UP CONSTITUENCY WOULD RECEIVE FULL CPI ADJUSTMENT.

4. OPPOSITION IS CLAIMING THAT PROPOSAL SPELLS DISASTER FOR MOST CHILEANS WHILE GOVERNMENT TRUMPETS IT AS TRIUMPH FOR WORKERS. REMAINING BARGAINING POWER OF OPPOSITION LIES IN ITS CONTROL IN CONGRESS OVER TAXES TO FINANCE BILL. RUMOR HAS IT THAT COMMUNIST PARTY IS WILLING TO SEE CEILING OF READJUSTMENT RAISED TO 6 SUELDOS VITALES IF CONGRESS WILL PASS TAXES UP WANTS TO PRODUCE FULLY FINANCED BILL. STORY GOES, HOWEVER, THAT SOCIALIST PARTY HARD-LINERS OPPOSE ANY SUCH COMPROMISE. END LOU.
DAVIS

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

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